

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Fiscal Note

BILL NUMBER: House Bill 1182 (First Edition)

SHORT TITLE: UNC Nonappropriated Capital Projects.

SPONSOR(S): Representatives W. Brawley, Ramsey, B. Brown, and R. Moore

FISCAL IMPACT

(\$ in millions)

☒ Yes

☐ No

☐ No Estimate Available

State Impact	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
General Fund Revenues:					
General Fund Expenditures:					
Special Fund Revenues:					
Special Fund Expenditures:					
State Positions:					
NET STATE IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:

University of North Carolina

EFFECTIVE DATE: When the Bill becomes law

TECHNICAL CONSIDERATIONS:

None

BILL SUMMARY:

House Bill 1182 authorizes the campuses of the University of North Carolina (UNC) to finance and construct capital improvement projects utilizing obligated resources. The projects are discussed in the Assumptions and Methodology Section of this Note. The statutory framework to authorize and issue debt lies within Article 3 of G.S. 116D. Under this Article, obligated resources refers to: rents, charges, or fees; earnings on investments of endowment funds, overhead receipts, and other resources that do not include appropriations from the General Assembly or tuition. UNC is authorized to change, with approval of the Director of the Budget, the means of finance for the projects authorized in the Bill and increase or decrease the cost of the project. UNC is allowed to issue debt above 5% of the total cost of the project, including any increase authorized by the Director of the Budget, to cover various costs of issuance of the debt. The proposed indebtedness authorized under this Bill is not a debt of the State

ASSUMPTIONS AND METHODOLOGY:

Each campus is presented discretely due to the varied nature of the projects under consideration. The table below provides information on the projects within Section 2 of this bill and provides the proposed sources of funding. Article 3 of G.S. 116D authorizes all obligated resources to be used as means of repayment and does not limit the source of funding to those presented in the table below. If an existing fee or receipt is to be used, the table identifies the fee and any annual increase associated with the fee. In some cases, the project will be financed by a new fee, and the amount is provided in the table. UNC and the campuses assume no General Fund impact from the projects proposed for authorization and Fiscal Research concurs with this assumption.

Table 1: Project Description

Campus	Project	Amount	Source	Existing Fee/Receipt Increase	New Fee
ECU	New Student Union, Parking Structure, and Health Sciences Campus Student Services Building	\$156,300,000	Debt Service Fee, etc.	Yes	\$425*
NCSU	Reynolds Coliseum Renovation	\$35,000,000	Gifts and Institutional Trust Funds	No	No
UNC-A	Completion of Karl Straus Track Building	\$550,000	Debt Service Fee	No	\$15
UNC-A	Student Recreation Center Improvements	\$440,000	Debt Service Fee	No	\$12
UNC-CH	Chilled Water Plant at Manning Drive	\$32,000,000	F/A Receipts	No	No
UNC-C	Campus Infrastructure Development Phase II	\$46,000,000	Debt Service Fee	Yes	\$50
UNC-C	Elm/MaplePine (Phase V) Renovation	\$18,550,000	Housing Receipts	6.5%	No
UNC-C	Sanford Hall Renovation	\$19,000,000	Housing Receipts	6.5%	No
UNC-C	Residence Hall, Phase XIV	\$45,829,000	Housing Receipts	6.5%	No
WCU	Brown Building Renovation and Addition	\$22,510,000	See Project Description	Yes	\$136
Total		\$376,179,000			

*ECU's debt service fee will be phased in over three years.

** WCU's debt service fee is prospective and subject to Board of Governor approval in 2015.

In addition to the debt to be authorized above, the campuses at the UNC system have existing debt that has been authorized under Article 3 of G.S. 116D and Part 4 of G.S. 116 (Revenue Bonds). The amount of outstanding debt, revenue available to support debt service, and annual debt service payment for FY 2013 at the UNC System campuses requesting the authorization to issue debt are presented in the table below:

	Outstanding Debt	Resources Available for Debt Service	Debt Service Payment
ECU	155,662,641	467,939,528	14,725,528
NCSU	580,432,894	598,854,000	27,540,643
UNC-A	47,296,264	36,497,128	1,598,200
UNC-CH	1,408,141,537	1,816,332,000	111,840,436
UNC-C	433,548,957	273,168,360	9,748,628
WCU	113,168,205	92,995,849	8,474,073

Each campus was sent an information request with detailed questions. In many cases, when reviewing the tables below, expenses will appear greater than revenues. This is because projects may not require an increase in revenues to cover debt service or operating expenditures. In other cases there may also not be a corresponding operating expense increase as a result of a project. The reasons for these situations are a result of projects replacing or renovating existing space. Or, it may be the result of normal projected expenditures. As Fiscal Notes only look at changes as a result of a bill, these normal increases in expenditures and revenues are not reported.

East Carolina University:

East Carolina University (ECU) has one planned project under consideration: the New Student Union and the Health Sciences Complex Student Services Structure. The New Student Union will comprise a 210,000 square foot facility and a 700 car parking deck. The Health Sciences Complex Student Services Structure will be a 68,000 square foot facility for student related services on the Health Sciences Campus. The total amount of debt authorized in this bill is \$156.3 million. However, ECU estimates that they will finance only \$142.3 million and fund balances from the Parking, Dining, Bookstore, Student Health, and Student Activity operations will contribute the additional \$14 million in cash toward the project. Of the remaining debt, \$128.8 million will be financed by a new \$425 per student debt service fee that will be phased in over three years. Receipts from parking, bookstore, and dining will support \$13.5 million in debt. This Fiscal Note only looks at changes to revenues and expenditures as a result of the proposed projects. Existing revenue streams are expected to grow at 1 to 3% annually and are sufficient to cover operating and debt service requirements. Operating expenditures are expected to increase with the opening of the larger facilities. The Student Union is expected to open in FY 2016-17 and the Health Sciences Complex is expected in FY 2017-18.

Table 2: East Carolina Financial Information

	Description	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
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Revenues	Debt Service Fee	2,832,900	6,027,900	9,052,500	9,052,500	9,052,500
	Transfer from Fund Balance	14,000,000				
Expenses	Debt Service	3,924,900	7,119,900	10,144,500	10,144,500	10,144,500
	Operating			1,200,000	1,500,000	1,545,000
	Transfer from Fund Balance	14,000,000				
FTE				6	11	11

North Carolina State University:

North Carolina State University (NCSU) has one planned project under consideration: the renovation of Reynolds Coliseum. The renovation includes the creation of program space for athletic offices and the Reserve Officer Training Corps (ROTC), and the creation of exhibit space for athletic history. The proposed debt will be financed from the Wolfpack Club (\$20 million) and from the Athletics Trust (\$15 million). This Fiscal Note only looks at changes to revenues and expenditures as a result of the proposed projects. As this is a renovation of an existing project, revenue streams and expenses largely remain the same. The NCSU project is expected to open in FY 2016-17.

Table 3: North Carolina State Financial Information

	Description	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Revenues	Trust Fund			2,400,000	2,400,000	2,400,000
Expenses	Debt Service			1,793,544	1,341,971	1,342,362
FTE				2	2	2

University of North Carolina – Asheville

The University of North Carolina – Asheville (UNC-A) has two planned projects under consideration: the completion of a building next to the Karl Straus Track; and improvements to the Student Recreation Center. The Karl Straus Track building is the completion of a \$1.5 million building, of which \$906,000 has already been spent. The remainder of the building cost will be financed by a new debt service fee of \$15 per student. The building also has slight operating costs that will be covered with athletic receipts related to track events. The improvements to the Student Recreation Center involve court floor replacement and locker room renovation at a cost of \$440,000. This project will be financed by a new \$12 student debt service fee. The projects are expected to be complete within the next Fiscal Year.

Table 4: Consolidated UNC-A Financial Information

	Description	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Revenues	Debt Service Fee	91,800	92,340	92,880	93,420	93,960
	Athletic Receipts	20,000	10,000	10,000	10,000	10,000
Expenses	Operating	20,000	10,000	10,000	10,000	10,000
	Debt Service	89,042	89,042	89,042	89,042	89,042

University of North Carolina – Chapel Hill

The University of North Carolina – Chapel Hill (UNC-CH) has one proposed project under consideration: a new chilled water plant. The new chilled water plant will create new capacity that will replace existing chilled water facilities. The existing facilities are in poor condition due to age. The entire \$32 million project will be financed from facilities and administration receipts related to chilled water. As this is a replacement of an existing facility, revenue streams and expenses largely remain the same. Existing revenues are sufficient to cover related debt service. The project is expected to be complete in FY 2017-18.

Table 5: UNC-CH Financial Information

	Description	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Revenues		Not Applicable				
Expenses	Debt Service				2,130,545	2,130,545

University of North Carolina – Charlotte

The University of North Carolina – Charlotte (UNC-C) has four proposed projects under consideration: Campus Infrastructure Phase II, Elm/Maple/Pine (Phase V) Renovation, Sanford Hall Renovation, and Residence Hall Phase XIV. The Campus Infrastructure Phase II project will include renovations of the chemistry and physics buildings; modernizations of core campus buildings; and infrastructure (road, telecommunications, water/sewer) improvements. Of the \$46 million authorization for this project, \$35 million will be financed from proceeds of a \$100 debt service fee, of which \$50 is new. The remaining \$11 million will be financed from reserves that were created by an earlier approved debt service fee for infrastructure. The Elm/Maple/Pine (Phase V) Renovation will renovate building systems, roofs, windows, and related code improvements to a residential facility. The project cost is \$18.55 million and will be financed from housing receipts. The Sanford Hall Renovation renovates an existing residential facility to meet current building code requirements, update building systems, replace the roof and windows, and improve interior layouts. The project cost is \$19 million and will be financed from housing receipts. UNC-C is proposing to construct a new 400 bed residence hall. The project cost is \$45.83 million and will be financed from housing receipts. For all three residence hall projects, existing housing receipts are projected increase by 6.5% per tenant – this increase is part of normal housing charge increases. In the event of project delay or cost over-runs UNC-C has

\$17.4 million within their Housing Fund that may be used to offset costs. The three housing projects are expected to be complete in FY 2016-17.

Table 6: UNC-C Financial Information

	Description	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Revenues	Debt Service Fee	2,069,500	2,110,890	2,153,108	2,196,170	2,240,093
	New Housing Receipts			3,815,089	4,063,070	4,327,169
	Transfer from Reserves	11,000,000				
Expenses	Operating	0	0	722,819	744,504	766,839
	Debt Service	0	0	6,959,901	6,959,901	6,959,901
	Transfer from Reserves	11,000,000				
New FTE				7.5	7.5	7.5

Western Carolina University

Western Carolina University (WCU) has one project under consideration: the Brown Building Renovation and Addition. The purpose of this project is to renovate 30,240 square feet of existing space cafeteria space and build a 25,124 square foot addition. The new facility will house Food Services and Dining, Residential Living Administration, student group offices, and student support units. The total cost of the project is \$22.51 million, of which \$16.01 million will be debt financed to be repaid by dining receipts and a new debt service fee of \$136. The debt service fee in this proposal is prospective and should be viewed as a maximum. WCU has not yet received authorization to charge a fee by the Board of Governors but anticipates making a request in January/February 2015. Of the portion that is not to be debt financed, \$4 million is from the dining services vendor and \$2.5 million will be from Housing Fund reserves. The project is expected to open in FY 2016-17.

Table 7: Western Carolina University Financial Information

	Description	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Revenues	Debt Service Fee		885,720	885,720	885,720	885,720
	Vendor Support	4,000,000				
	Transfer from Reserves	2,500,000				

Expense	Debt Service		978,996	983,446	980,921	978,546
FTE				5	5	5

SOURCES OF DATA: University of North Carolina

TECHNICAL CONSIDERATIONS: None

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DATE: June 11, 2014



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